

INDIAN CHEMICALS SECTOR: SPECIALTY CHEMICALS

Export demand headwinds to continue;
capex cycle continues as specialty
players explore newer segments

September 2023



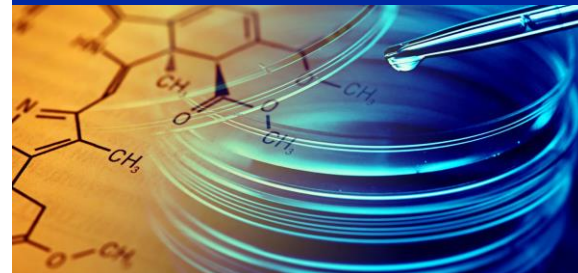
1 Executive Summary



2 Key Industry Trends and Outlook



3 Detailed Trend Analysis – Chemical-wise



4 ICRA Ratings on Indian Specialty Chemicals Industry



5 Comparison of Key Specialty Chemical Companies



While raw material and freight cost pressures have eased after significant volatility in FY2023, demand and pricing pressures from export market will keep the margins in check in FY2024.

Domestic demand is expected to remain stable for some segments driven by continued healthy consumption trends.



- The expertise in specific chemistries, a proven track record and in few cases long-term supply contracts along with the China+1 strategy adopted by the global chemical industry, are factors supporting the performance of the Indian specialty chemical companies in India. The credit profile of the industry is expected to remain stable, driven by the demonstrated ability to pass on the input price impact albeit with some lag.

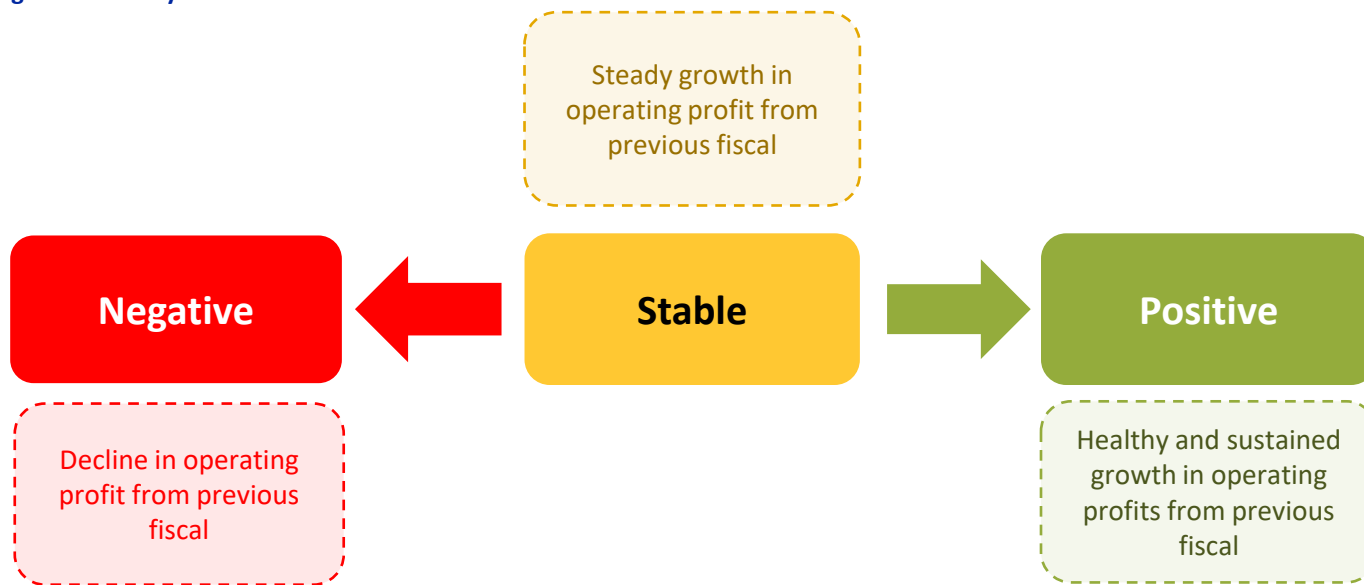


- In Q1 FY2024, the operating profits moderated significantly amid pricing pressure from China's rising supplies and demand headwinds from the export markets. The overall credit profile is expected to remain stable amid low leverage levels and demand recovery expected in H2 FY2024.

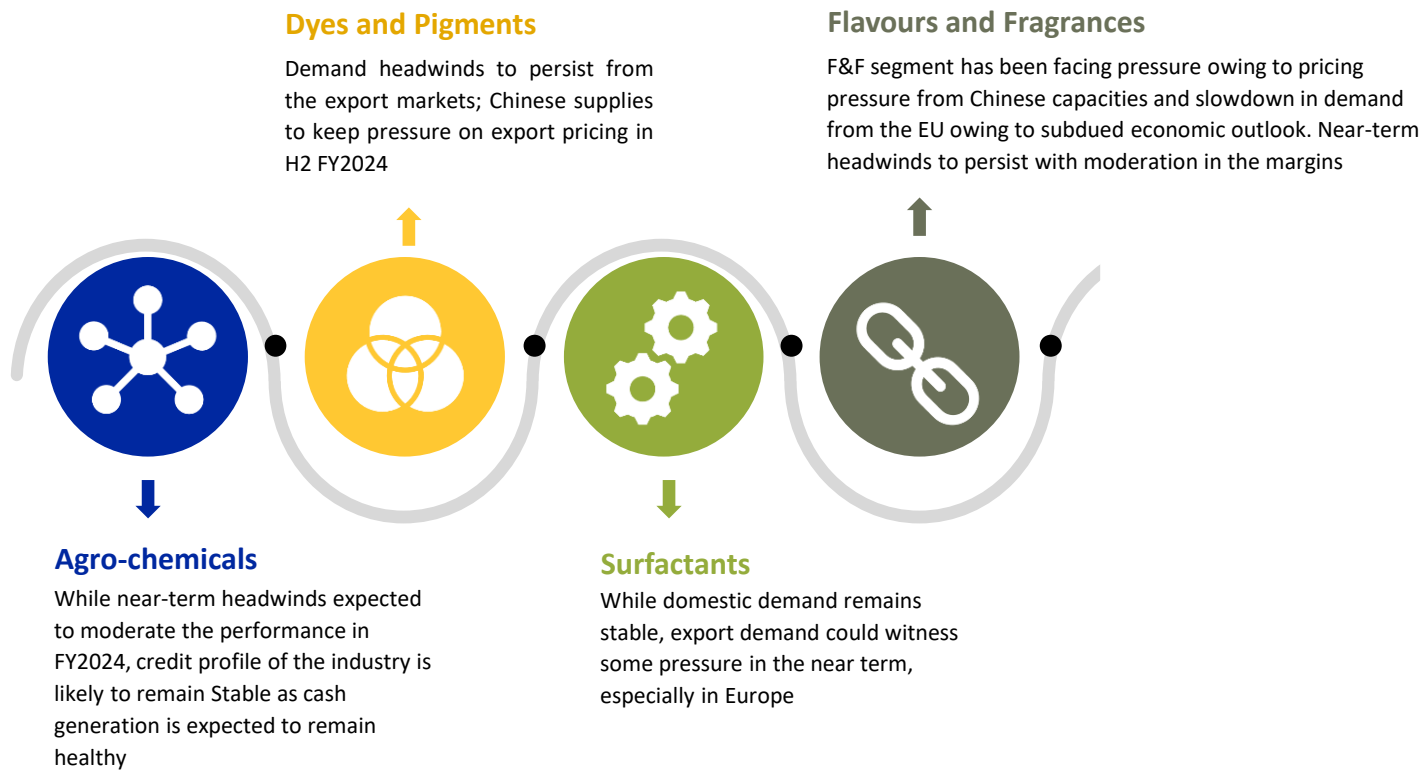


- The capex cycle continues as Indian specialty players continue to expand their presence in existing chemistries exploring new segments like battery chemicals etc. Industry players are also focusing on developing green chemicals due to increasing demand from domestic and developed markets.

What could change the industry outlook

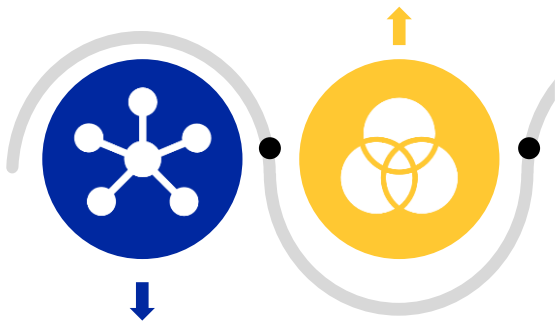


Outlook pertains to the expected aggregate performance of the sector. However, performance of sub-segments may vary.



Fluoro-chemicals

Diversified applications including refrigerants, agrochemicals and upcoming applications in PV cells, battery chemicals to support fluorination chemistry industry. Lack of growth in Chinese industry since FY2018 bodes well for Indian players as Chinese capacities have closed down on environmental concerns.



Construction Chemicals

Demand for construction chemicals expected to remain healthy with increasing urbanisation, infrastructure growth and incremental adoption of modern construction practices in India.



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